



Korea

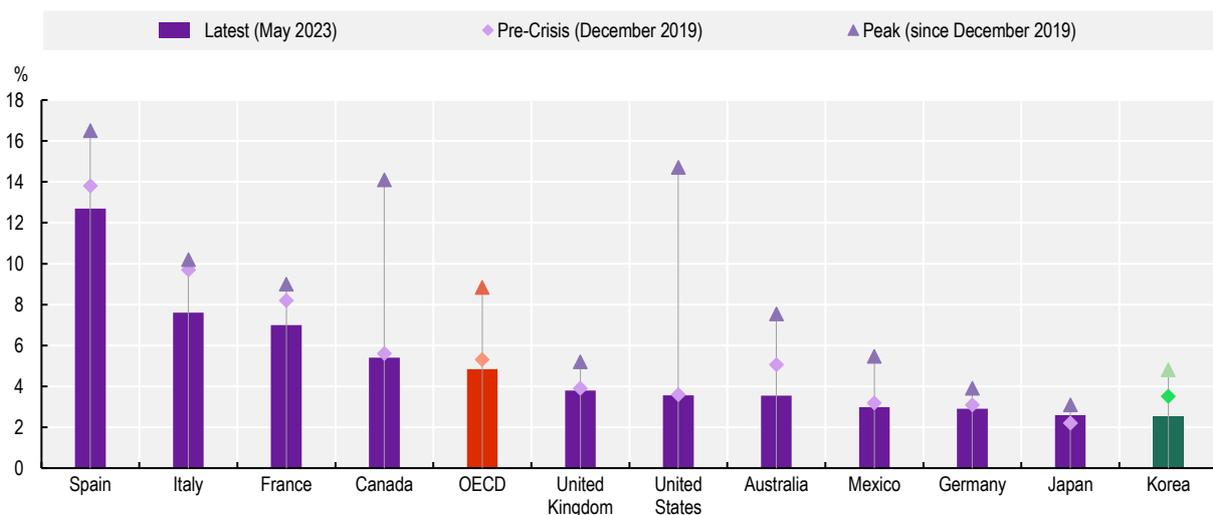
Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8% (seasonally adjusted, s.a.), a level not seen in decades.

- As of May 2023, the unemployment rate in Korea reached 2.5% (s.a.), and the employment rate (for people aged 15-64) is 69.3% (s.a.) (0.7 percentage points up from May last year), keeping up the rapid pace of employment recovery since the easing of quarantine measures. The employment growth is particularly notable for the increase in full-time jobs and in the service industry. Labour market participation is increasing for women and the elderly.
- Despite sluggish exports and persistent inflation, the labour market is expected to remain strong as demand for healthcare, social services, leisure activities, and hospitality is growing
- In the context of intensifying labour market tightness since the end of 2022, Korea has implemented customised support plans for the key industries facing severe labour shortages (e.g. manufacturing, logistics, social service, leisure, and hospitality). “Special Employment Support Teams” have been set up for each industry to boost training programme for core skills, improve job matching, and recruit foreign workforce. To boost labour force participation, the Korean Government has sought to provide stronger encouragement for welfare and unemployment benefit recipients to find employment while reducing the generosity of cash support as well as direct job creation.

Figure 1. Unemployment rates remain low across the OECD

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.

Source: OECD (2023), "Unemployment rate" (indicator), <https://doi.org/10.1787/52570002-en> (accessed on 11 July 2023).

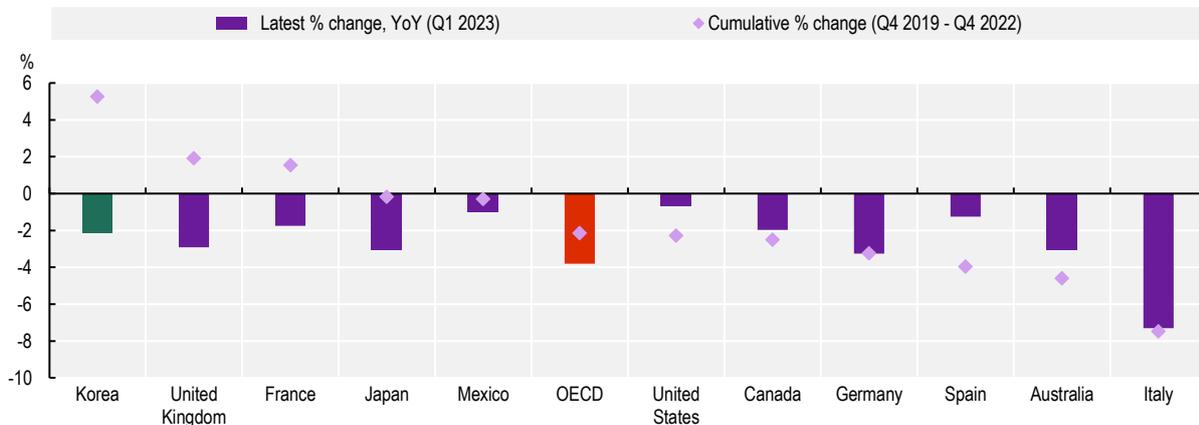
Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- In Korea, real wages decreased by 2.1% in the first quarter of 2023 compared with the same period in 2022 (nominal hourly wages increased by 2.6% while inflation remain at 4.7% increase). This is mostly explained by a significant decrease in the growth of performance-based wages compared to last year.
- The nominal wages increase in May 2023 was especially low for temporary and daily workers (1.3%) compared full-time workers (2.0%), aggravating the hardships of the vulnerable along with rising prices.

Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023



Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.

Source: *OECD Employment Outlook 2023*, Chapter 1.

Minimum wages and collective bargaining can support low-paid workers

Minimum wages and collective bargaining can help mitigate losses in purchasing power and ensure a fair distribution of the cost of inflation between firms and workers, while avoiding a price-wage spiral. On average across the OECD, statutory minimum wages have increased significantly over the last two years, and this has allowed real minimum wages to keep up with inflation better than average wages. The evidence suggests that there is room for profits to absorb further increases in wages, at least for low-paid workers. Governments can also provide direct support through the tax and benefit system to raise the net income of low-income households.

- In Korea, the minimum wage for the current year is determined in August of the previous year by the Minimum Wage Committee composed of social partners. The nominal minimum wage increased by 5.05% in 2022 and 5.0% (KRW 9 620) in 2023 to keep up with inflation. As of May 2023, the real minimum wage was 1.6% higher than a year before.

Current AI applications can improve job quality, but they come with risks

On average in the workplaces surveyed by the OECD, AI adoption has so far gone hand-in-hand with greater job satisfaction, improved mental and physical health, and higher wages for those workers with skills to develop and work with AI. Yet, some workers – e.g. those managed by AI and women – have benefited less or have had

negative experiences. Using AI entails risks for privacy, work intensity and bias. Recent advances in generative AI may augment such risks. Addressing them is key to ensuring that AI contributes to more inclusive labour markets.

- In Korea, there have been ongoing policy discussions on minimising the negative social impact of AI application. For example, “the Guidelines for guaranteeing human rights in the process of developing and utilising AI” were announced in April of last year by the National Human Rights Commission (recommendation to government departments), and related bills are pending in the National Assembly.
- The Korean government has conducted some research on AI and the labour market such as Chat GPT’s impact on skills and training. However, the proportion of firms introducing AI technologies and solutions is still small in Korea (3.6%, a survey result by Korean Development Institute in 2020). Consequently, there has been relatively little in-depth discussions related to AI and inclusive labour markets.
- The Ministry of Employment and Labour has been expanding the scope of AI applications in the PES. The “Customised Job Counseling Support (JobCare) Service” based on AI analysis was introduced in 2021, and has been opened to the public from this year to provide more sophisticated services such as job seeker competency analysis, job recommendations and a life-time career design service.

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